

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Delton District Library*  
*Barry County, Michigan*

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

*Year ended March 31, 2006*

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## CONTENTS

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	<i>Page</i>
<b>INDEPENDENT AUDITORS' REPORT</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Balance sheet/statement of net assets	4
Statement of revenues, expenditures, and changes in fund balance/statement of activities	5 - 6
Notes to financial statements	7 - 9
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedule	10

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Delton District Library

We have audited the accompanying financial statements of the governmental activities and major fund of the Delton District Library, a component unit of the Township of Barry, Michigan, as of March 31, 2006, and for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the Delton District Library as of March 31, 2006, and the respective changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on page 10, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Delton District Library has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Siegfried Crandall P.C.*

May 3, 2006

## **BASIC FINANCIAL STATEMENTS**

**Delton District Library**

**BALANCE SHEET/STATEMENT OF NET ASSETS**

March 31, 2006

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
<b>ASSETS</b>			
Cash	\$ 163,486	\$ -	\$ 163,486
Receivables	24,000	-	24,000
Due from other funds - primary government	6,950	-	6,950
Capital assets, net	<u>-</u>	<u>675,941</u>	<u>675,941</u>
		-	
Total assets	<u>\$ 194,436</u>	<u>675,941</u>	<u>870,377</u>
<b>LIABILITIES</b>			
Payables	\$ 3,694	-	3,694
Deferred revenue	<u>19,333</u>	<u>(19,333)</u>	<u>-</u>
Total liabilities	<u>23,027</u>	<u>(19,333)</u>	<u>3,694</u>
<b>FUND BALANCES</b>			
Unreserved:			
Designated for capital improvements	125,150	(125,150)	-
Undesignated	<u>46,259</u>	<u>(46,259)</u>	<u>-</u>
Total fund balances	<u>171,409</u>	<u>(171,409)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 194,436</u>		
<b>NET ASSETS</b>			
Invested in capital assets		675,941	675,941
Unrestricted		<u>190,742</u>	<u>190,742</u>
Total net assets		<u>\$ 866,683</u>	<u>\$ 866,683</u>

Amounts reported in the statement of net assets are different because:

Total fund balance	\$ 171,409
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the fund.	675,941
Receivables are not available to pay for current period expenditures and, therefore, are deferred in the fund.	<u>19,333</u>
Governmental fund net assets	<u>\$ 866,683</u>

See notes to the financial statements

**Delton District Library****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE/STATEMENT OF ACTIVITIES**

Year ended March 31, 2006

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
<b>EXPENDITURES/EXPENSES</b>			
Culture and recreation	\$ 176,152	\$ (13,659)	\$ 162,493
Capital outlay	3,033	(3,033)	-
Depreciation	-	42,148	42,148
	<u>179,185</u>	<u>25,456</u>	<u>204,641</u>
<b>PROGRAM REVENUES</b>			
State grant	10,400	-	10,400
Intergovernmental	61,200	-	61,200
Charges for services	32,671	-	32,671
Fines and forfeitures	29,267	4,322	33,589
	<u>133,538</u>	<u>4,322</u>	<u>137,860</u>
<b>NET EXPENSES</b>	<u>(45,647)</u>	<u>(21,134)</u>	<u>(66,781)</u>
<b>GENERAL REVENUES</b>			
Interest and rentals	6,903	-	6,903
Other	22,910	-	22,910
	<u>29,813</u>	<u>-</u>	<u>29,813</u>
<b>CHANGES IN NET ASSETS</b>	(15,834)	(21,134)	(36,968)
<b>FUND BALANCES/NET ASSETS - BEGINNING</b>	<u>187,243</u>	<u>716,408</u>	<u>903,651</u>
<b>FUND BALANCES/NET ASSETS - ENDING</b>	<u>\$ 171,409</u>	<u>\$ 695,274</u>	<u>\$ 866,683</u>

See notes to the financial statements

***Delton District Library***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE/STATEMENT OF ACTIVITIES (Continued)**

*Year ended March 31, 2006*

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Net change in fund balance	\$ (15,834)
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Add - asset acquisitions	16,692
Deduct - depreciation expense	(42,148)

Net increase in deferred revenue	<u>4,322</u>
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Change in net assets	<u>\$ (36,968)</u>
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*See notes to the financial statements*



**Delton District Library**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Delton District Library (the Library) conform to generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Library. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Library exercises oversight responsibility.

Costs of operations and capital expenditures are supported by private contributions and contributions from the Townships of Barry, Prairieville, and Hope. The Library is considered to be a component unit of the Township of Barry, Michigan.

*b) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, claims and judgments are recorded only when payment is due.

*c) Assets and liabilities:*

*i) Cash* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - All receivables are considered to be fully collectible as presented.

*iii) Capital assets* - Capital assets, which include property, equipment, and vehicles, are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**Delton District Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Assets and liabilities* (continued):

iii) *Capital assets* (continued) - Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Land improvements	20 years
Books and videos	10 years
Equipment	5 - 20 years

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information* - The Library adopts an annual budget on a basis consistent with generally accepted accounting principles. The budget document presents information by function and line-item. The legal level of budgetary control, adopted by the governing body, is the functional level. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 3 - CASH:

*Deposits with financial institutions:*

The cash balances of the Library's governmental activities, which consist entirely of deposits with financial institutions, amounted to \$163,486 at year end. Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Library's investment policy authorize the Library to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Library's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Library will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2006, \$162,531 of the Library's bank balances of \$163,528 was exposed to custodial credit risk because it was uninsured.

The Library believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**Delton District Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 4 - CAPITAL ASSETS:**

A summary of changes in capital assets follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Building	\$ 646,500	\$ -	\$ -	\$ 646,500
Land improvements	36,400	-	-	36,400
Books and videos	177,000	16,692	-	193,692
Equipment	102,036	-	-	102,036
Subtotal	<u>961,936</u>	<u>16,692</u>	<u>-</u>	<u>978,628</u>
Less accumulated depreciation for:				
Building	116,370	12,930	-	129,300
Land improvements	3,070	1,820	-	4,890
Books and videos	92,925	19,368	-	112,293
Equipment	48,174	8,030	-	56,204
Subtotal	<u>260,539</u>	<u>42,148</u>	<u>-</u>	<u>302,687</u>
Capital assets, net	<u>\$ 701,397</u>	<u>\$ (25,456)</u>	<u>\$ -</u>	<u>\$ 675,941</u>

**NOTE 5 - RISK MANAGEMENT:**

The Library is exposed to various risks of loss to general liability, property and casualty, and workers' compensation.

The risks of loss arising from general liability, building contents, workers' compensation, and casualty are covered by the Township of Barry's general liability insurance.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Delton District Library****BUDGETARY COMPARISON SCHEDULE**

Year ended March 31, 2006

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grant	\$ 11,000	\$ 11,000	\$ 10,400	\$ (600)
Intergovernmental	51,200	61,200	61,200	-
Charges for services	31,100	31,100	32,671	1,571
Fines and forfeitures	22,000	22,000	29,267	7,267
Interest and rentals	2,300	2,300	6,903	4,603
Other	<u>93,800</u>	<u>93,800</u>	<u>22,910</u>	<u>(70,890)</u>
Total revenues	<u>211,400</u>	<u>221,400</u>	<u>163,351</u>	<u>(58,049)</u>
<b>EXPENDITURES</b>				
Culture and recreation	184,004	184,004	176,152	7,852
Capital outlay	<u>4,500</u>	<u>4,500</u>	<u>3,033</u>	<u>1,467</u>
Total expenditures	<u>188,504</u>	<u>188,504</u>	<u>179,185</u>	<u>9,319</u>
<b>NET CHANGES IN FUND BALANCES</b>	22,896	32,896	(15,834)	(48,730)
<b>FUND BALANCES - BEGINNING</b>	<u>187,243</u>	<u>187,243</u>	<u>187,243</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 210,139</u>	<u>\$ 220,139</u>	<u>\$ 171,409</u>	<u>\$ (48,730)</u>

See notes to the financial statements